1 2 3 4 5	DEC 1 0 2002 UNITED STATES ATTORNEY Seattle, Washington	Presented to the Court by the foreman of the Grand Jury in open Court, in the presence of the Grand Jury and FILED in The U.S. DISTRICT COURT at Seattle, Washington. December 10 20.02 BRUCE RIFKIN, Clerk By William Deputy				
6	UNITED STATES DI WESTERN DISTRICT	OF WASHINGTON				
7	AT SEAT	TTLE				
8 9	UNITED STATES OF AMERICA,	CASE NO D				
10	Plaintiff,	{ CASE NCR 02 042				
11	v.	INDICTMENT				
12	KEITH E. ANDERSON, RICHARD MARKS, WAYNE ANDERSON,					
13	KAROLYN GROSNIĆKLE, RICHARD GROSNICKLE,) I hereby certify that the annexed instrument is a true and correct copy of the original on file in my office.				
14	PAMELA MORAN, JAMES MORAN,	on file in my office. ATTEST: BRUCE RIFKIN Clerk, U. S. District Court Western District of Washington				
15	TARA LAGRAND, GARY KUZEL, and	By W. Gunt. Jackany Deputy Clerk				
16	LYNDEN BRIDGES	Deputy Clerk				
17	Defendants.	}				
18	The Grand Jury Charges:	-				
19	COUNT	<u>. 1</u>				
20	Conspiracy to Defraud the Unit	ed States Government and				
21	to Aid and Assist The Prepa of Fraudulent Incom	ration and Presentation				
22	A. Introd	<u>uction</u>				
23	At all times relevant to this Indictment:	•				
24	1. Anderson's Ark and Associates ("AA	AA") is an organization with approximately				
25	2,000 members in the United States and Canada and	·				
26	Drive East, Hoodsport, Washington (the "Administrative Center"). AAA purports to sell and					
27	implement purported tax reduction strategies for its					
28	various investment opportunities in Costa Rica.	-				

 2. The defendant KEITH E. ANDERSON, a United States citizen, was born April 19, 1941 and is the founder of AAA. The defendant KEITH E. ANDERSON, a current resident of Costa Rica, formerly resided at the AAA Administrative Center in Hoodsport, Washington.

- 3. The defendant RICHARD MARKS, was born October 2, 1943 and resides in Los Osos, California. The defendant RICHARD MARKS owns and operates a tax return and accounting practice under the names Guardian Management and Waterline Enterprises. The defendant RICHARD MARKS has been identified as the lead accountant, or "planner," for AAA. The defendant RICHARD MARKS also has primary responsibility for operating a AAA Nevada entity called Sawtooth Enterprises ("Sawtooth") which is an integral part of the tax reduction strategies AAA markets to its members. The defendant RICHARD MARKS is a regular speaker at AAA seminars in the United States, Canada, and Costa Rica.
- 4. The defendant WAYNE ANDERSON was born July 24, 1939 and resides in Fresno, California. The defendant WAYNE ANDERSON has been identified as the head of the AAA Accounting Department. The defendant WAYNE ANDERSON is also the brother of AAA leader, defendant KEITH E. ANDERSON.
- 5. The defendant KAROLYN GROSNICKLE was born November 7, 1942 and is married to the defendant RICHARD GROSNICKLE. The GROSNICKLES resided at and operated the AAA Administrative Center at the Hoodsport, Washington residence, formerly occupied by AAA founder, defendant KEITH ANDERSON.
- 6. The defendant RICHARD GROSNICKLE was born December 13, 1940 is married to the defendant KAROLYN GROSNICKLE. He purports to be the executive director of two AAA entities, Macromedia and Mason Advertising, which are an integral part of the tax reduction strategies AAA markets to its members.
- 7. The defendant PAMELA MORAN was born on August 18, 1951 and is married to the defendant JAMES MORAN. The MORANS currently reside at 13780 Larkspur Drive, Montrose, Colorado. The defendants JAMES MORAN and PAMELA MORAN have been identified as the Executive Education Officers (EEOs) for AAA and the Chief Informational Officers for AAA. Until on or about June 1, 2001, the MORANS resided at 1303 Alboe Lane,

Eckert, Colorado. The defendants JAMES MORAN and PAMELA MORAN are regular speakers at AAA seminars in the United States, Canada, and Costa Rica.

- 8. The defendant JAMES MORAN was born February 26, 1948 and is married to the defendant PAMELA MORAN.
- 9. The defendant TARA LAGRAND was born October 18, 1952 and operates a tax return preparation and accounting practice in Naples, Florida. The defendant TARA LAGRAND is a planner for AAA and a frequent speaker at AAA seminars.
- 10. The defendant GARY KUZEL was born June 19, 1948 and operates a tax return preparation and accounting practice in the Woodbridge, Illinois area. The defendant GARY KUZEL is a planner for AAA and a frequent speaker at AAA seminars.
- 11. The defendant LYNDEN BRIDGES was born June 26, 1945, and operates a tax return preparation and accounting practice in Wheat Ridge, Colorado. The defendant LYNDEN BRIDGES is a planner for AAA and a frequent speaker at AAA seminars.
- 12. Anderson's Ark informational officers, or "IOs" are prospective AAA members' first point of contact with AAA. When a taxpayer is contacted by an IO, the IO will gather that taxpayer's personal financial information, including tax return information, and forward it to the AAA administrative center. Initially, the IO is a taxpayer's point of contact for any questions the taxpayer may have about AAA.
- After a taxpayer's financial information is received by the AAA administrative center, an AAA accountant, or planner, is assigned to the prospective AAA member. The AAA planners are not assigned to AAA members based on geographic location. AAA planners are responsible for setting up various corporations, trusts, and partnerships for AAA members which are used to implement the purported AAA tax reduction strategies. These strategies are referred to by AAA members as the Look Forward Plan and the Look Back Plan. Anderson's Ark planners also prepare all the tax returns required by these two plans and answer questions AAA members may have about them. There are nine AAA planners; the lead planner is the defendant RICHARD MARKS. The other planners are: the defendant TARA LAGRAND; the defendant LYNDEN BRIDGES; the defendant GARY KUZEL; unindicted co-conspirator Roosevelt

Drummer; unindicted co-conspirator Bruce Zgoda; unindicted co-conspirator Timothy Filli**pon**i; and unindicted co-conspirator Roy Lentz.

- 14. One of the types of entities AAA planners set up for AAA members are Subchapter-S corporations. A Subchapter-S corporation is a corporation in which the income of the corporation "flows through" the corporate tax return to the tax return of the owner(s) of the corporation. A Subchapter-S corporation is required to file an annual federal corporate tax return, Form 1120-S, which reports, but does not pay tax on, the net income of the corporation. In turn, the net income of the Subchapter-S corporation is reported on, and taxed on, the personal tax return(s) of the owners.
- 15. AAA planners also form limited liability companies for AAA members. An LLC is a form of business partnership in which the net income of the company "flows through" to the tax returns of the LLC partners. An LLC is required to file an annual federal partnership tax return, Form 1065, which reports the net income of the LLC. In turn, the partnership issues each partner a Form K-1, which reports that partner's share of the net income of the LLC, and each partner reports his share of the net income on his personal tax return.
- 16. A trust is a legal entity that can be used to hold title to property, and separate responsibility for, and control of, the property from the benefits of ownership. A "grantor" transfers legal title of the property, and the "trustee" has the responsibility of managing the trust. A trustee can be either an individual or an institutional entity. The right to receive the benefits of the trust property belongs to the "beneficiary" of the trust. A domestic trust is required to file an annual Federal Estate and Trust Income Tax Return, Form 1041.
- December 1990, and is managed by defendant RICHARD MARKS. Sawtooth is a part of the AAA Look Forward Plan. Anderson's Ark members transfer income to Sawtooth which is then moved offshore to Costa Rica. In this way, the AAA members evading paying income tax in the United States on this money. Sawtooth had bank accounts at WestAmerican Bank in Fresno, California and at U.S. Bank in Nevada. In 1997 \$1,186,789 of AAA members' funds were deposited into the Sawtooth account at WestAmerica Bank, and \$1,449,795 was withdrawn.

This account was closed in May 1997. From 1997 through May 1999, \$1,902,400 of AAA members' funds were deposited into the U.S. Bank account of Sawtooth, and \$1,902,400 was withdrawn. The defendant RICHARD MARKS had sole signatory authority over this account.

- 18. Frangipani Corporation was a corporation formed by the defendant RICHARD MARKS and had an account at U.S. Bank in Nevada that was opened on May 6, 1999. The defendant RICHARD MARKS had sole signatory authority over this account. From 1999 through February 2001, \$6,124,733 of AAA members' funds were deposited into this account, and \$6,124,285 was withdrawn.
- 19. Waterline Enterprises was a corporation formed by the defendant RICHARD MARKS and had an account at U.S. Bank in Nevada that was opened on March 3, 1999. The defendant RICHARD MARKS is one of two signatories on this account. From its opening through February 2001, \$1,379,129 of AAA members' funds were deposited into this account and \$1,378,629 was withdrawn.
- 20. S.M.A. Limited Partnership was formed in Washington State on March 14, 1994. S.M.A. had an account at the Quimper Community Credit Union. The defendant KEITH E. ANDERSON is a signatory on this account. From 1998 through February 2001, \$478,702 of AAA members' funds were deposited into this account, and \$491,719 was withdrawn. S.M.A. also had an account at U.S. Bank in Nevada. The defendant WAYNE ANDERSON was authorized to make deposits and get balance information on this account. From 1998 through February 2001, \$8,115,382 of AAA members' funds were deposited into this account and \$8,403,608, was withdrawn.
- 21. A Complex Business Organization, or CBO, is the name given to the purported business structures AAA sells to its members. The CBO is simply the name given to the combination of corporations, partnerships, and trusts set up for AAA members by the AAA planners.

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- La Maquina Blanca is a Costa Rican corporation managed by AAA with bank 22. accounts in Costa Rica. La Maquina Blanca is owned and operated by the defendant KEITH E. ANDERSON and is an integral part of the Look Back Plan sold to AAA members.
- Mason Advertising is a Nevada limited liability corporation formed on February 23. 13, 1995 with an address of 100 West Grove Street, Suite 360, Reno, Nevada. The owners of Mason Advertising are listed as Eldon Anderson, Freddie Wood, and Guardian Management Company. The defendant RICHARD GROSNICKLE has been identified as a "member" of Mason Advertising and has signed numerous agreements on the behalf of Mason Advertising. Mason Advertising has a bank account at Quimper Community Credit Union, in Hoodsport, Washington, and at Banco Uno, S.A. in Costa Rica. The defendants KEITH E. ANDERSON and KAROLYN GROSNICKLE are the signatories on the Quimper Community Credit Union account. From 1998 through February 2001, \$3,011,534 of AAA members funds were deposited into the Mason Advertising account at Quimper Credit Union, and \$3,327,271 was withdrawn. Mason Advertising is an integral part of the Look Back Plan sold to AAA members. In 1998, Mason Advertising was replaced by Macromedia.
- Macromedia is a name that, after 1998, the defendants used interchangeably with 24. Mason Advertising. There is no record of a separate corporation with this name, and the defendants used the same taxpayer identification number for Macromedia that had been used for Mason Advertising.
- 25. A key feature of AAA's purported income tax reduction plans is a Costa Rican entity called a "Sociedad Anonima" (or "S.A."). Each AAA member is assigned an S.A. When a AAA member wishes to transfer money to Costa Rica, this money is placed into their S.A. account. On paper, AAA members are identified as merely the managing agents of their S.As., however, in reality AAA members are free to withdraw funds from their S.As whenever they wish through the use of a Visa debit card or direct wire transfer.
- AAA advised their members that United States taxpayers, having a valid business 26. partnership loss (Net Operating Loss, or "NOL") exceeding their current year's income, can

United States income tax returns for AAA members. These false income tax returns reported large business deductions and net operating losses that were based on fictitious and non-existent transactions.

29. It was also the purpose of the conspiracy to defraud the United States Government by concealing the United States taxable income of AAA members in secretive bank accounts in the Republic of Costa Rica.

D. Manner and Means

- 30. As a part of the conspiracy, and in order to further its objectives, the defendants KEITH E. ANDERSON, RICHARD MARKS, WAYNE ANDERSON, KAROLYN GROSNICKLE, RICHARD GROSNICKLE, PAMELA MORAN, JAMES MORAN, TARA LAGRAND, GARY KUZEL, and LYNDEN BRIDGES solicited taxpayers throughout the United States and Canada, using the internet and other means, to purchase purported tax reductions strategies which the defendants knew required material misrepresentation to the United States government.
- 31. It was further part of the conspiracy that under defendant KEITH E. ANDERSON'S direction, defendants RICHARD MARKS, TARA LAGRAND, GARY KUZEL, and LYNDEN BRIDGES, prepared and filed Individual and Corporate U.S. Income Tax returns for AAA members which reported large tax deductions generated by the AAA business structures sold to AAA members. These tax deductions included such false items as "net operating losses," "consulting expenses," and/or "advertising expenses." In some cases these deductions represented funds actually paid to a AAA corporation, partnership, or trust. In other cases, deductions were reported without an associated payment. In all cases no such services were actually provided for these "payments," and defendants well knew and believed that these tax deductions were materially false.
- 32. It was further part of the conspiracy that in order to join AAA, taxpayers were required to purchase for \$1,265 a series of audio tapes entitled Gateway to Financial Freedom which contained speeches by AAA founder, defendant KEITH E. ANDERSON. AAA members

also had to purchase what was called a CBO for an initial fee of \$16,500. This fee was forwarded to the AAA Administration Center in Hoodsport, Washington and then transferred to various accounts in Costa Rica for the benefit of the defendants.

- 33. It was further part of the conspiracy that, as part of the CBO, AAA planners created two different purported tax reduction strategies for AAA members: 1) the Look Back Program; and 2) the Look Forward Program. Each program required the payment of considerable fees by AAA members to the AAA Administrative Center in Hoodsport, Washington, and each program promised the substantial, if not total, reduction of income tax liabilities for AAA members.
- 34. It was further part of the conspiracy that in combination with the Look Back and Look Forward programs, many AAA members transferred substantial amounts of money to their S.A.s in Costa Rica for the purpose of investing this money in one of four investment programs sold by AAA. These investment programs were called: Loan 1; Loan 2; Loan 3; and Loan 4. AAA members were told that each "loan program" carried with it a different level of risk and a different rate of return. Loan 1 had the least amount of risk, and accordingly the lowest rate of return, and Loan 4 had the highest risk and the highest rate of return. AAA members were sent periodic statements under the name GT Finance informing them of the "income earned" on their investment accounts.

The Look Back Program

35. It was further part of the conspiracy that AAA members were told that the Look Back Program could eliminate the members' federal income tax liabilities for the current year and the previous two calendar years. To implement the Look Back Program, the AAA planners first calculated the total federal income tax paid by a AAA member in the previous two years, together with the expected federal income tax liability for the current year. This amount was then used to determine the size of the tax deduction needed by the member to offset these income taxes.

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- It was further part of the conspiracy that, in order to implement the Look Back 36. program the AAA planners prepared, for AAA members' signatures and execution, the requisite paperwork to form a partnership between AAA members and Macromedia (or Mason Advertising). AAA members would have a 95% interest in this partnership, and Macromedia would have a 5% interest. The AAA planners then prepared, for AAA members' signatures and execution, loan documents purporting to represent a loan from La Maquina Blanca to the newly formed member/Macromedia partnership. These loans varied from \$50,000 to \$3,500,000. Often times a AAA member was shown a copy of a La Maquina Blanca check drawn on a Costa Rican bank which they were told represented the member's loan proceeds. The amount of this loan corresponded to the size of the previously calculated tax deduction that was needed to offset the member's income tax liabilities for the current year and the previous two years. AAA members were told that the La Maquina Blanca loan proceeds would be forwarded directly to Macromedia (or Mason Advertising) which would use the funds to create and market a series of tax reduction book and tapes called Tax Magic, as well as establish a "1-900" phone number which would offer tax advice. At no time did the AAA member have access to the La Maquina Blanca loan proceeds.
- 37. It was further part of the conspiracy that AAA members were required to pay over to the AAA Administrative center in Hoodsport, Washington an amount equal to 5-7% of the loan amount as a loan commitment fee. Normally, one-half of this fee was due and payable before the loan would be executed. As the defendants then and there well knew and believed these "loan fees" were not paid to La Maquina Blanca to cover the cost of processing, but were instead credited to the defendants' S.A. accounts and/or re-deposited into the La Maquina Blanca general account to fund more "loans."
- It was further part of the conspiracy that AAA members were told that their loans 38. had a ten year balloon payment and that they did not have to worry about paying the loans back until then. AAA members were also told that their loans were set up to be paid out of the profit

earned from the Tax Magic venture, and that if these profits proved insufficient, their 5% partner, Macromedia (or Mason Advertising), would repay the loan for them.

39. It was further part of the conspiracy that once AAA members paid their commitment fees, assigned AAA planners prepared partnership and individual tax returns for the AAA members which reported tax deductions in the full amount of the La Maquina Blanca loans. These tax deductions were used to offset the AAA members' tax liabilities for the current year. The remaining loan amounts, reported as guaranteed payments which resulted in net operating losses, were carried back on Internal Revenue Form 1045 to offset the AAA members' tax liabilities for the previous two years. From 1997 through February 2001, AAA purported to grant, through La Maquina Blanca, \$120,000,000 in Look Back Loans to approximately 260 AAA members. These loans, deducted as NOLs on AAA members' tax returns, resulted in approximately a \$43,000,000 reduction in income tax liabilities for AAA members. In reality, as the defendants well knew and believed, the AAA La Maquina Blanca loans were fictitious. The purported loan proceeds were not used for any business purpose by Mason Advertising or Macromedia, but instead were recycled back into the La Maquina Blanca account to fund additional Look Back "loans".

The Look Forward Program

- 40. It was further part of the conspiracy that in addition to the Look Back Program, a number of AAA members also participated in the Look Forward Program. The Look Forward Program promised to reduce members' tax liabilities for future years by generating purported "consulting", "management", or "advertising" business deductions.
- 41. It was further part of the conspiracy that after AAA members purchased a CBO for \$16,500, which included participation in the Look Forward program, assigned AAA planners prepared the requisite paperwork to form a partnership between the AAA members and Sawtooth Enterprises. The members would have a 5% interest in this partnership and Sawtooth a 95% interest. The program then called for a purported consulting or management contract to be executed between the AAA members and the newly formed Sawtooth/member partnership. The

terms of these contracts required the AAA members' businesses to pay the Sawtooth/member partnership a set annual fee for the purported "consulting", "management" or "advertising" work provided to the members' businesses by the members themselves. A tax deduction then was taken on the AAA members' business tax returns for the annual amount of the purported "consulting", "management" or "advertising" expenses. In most instances, this deduction flowed through to the members' individual tax returns.

42. It was further part of the conspiracy that, as part of the Look Forward Program, the defendants formed 703 Costa Rican corporations, or S.As. Each AAA member was assigned an S.A. regardless of whether or not they participated in the Look Forward Program. These S.A.s were designed to conceal the true ownership of the funds transferred to them. On paper Carlos Isidro Solano and Maria Eugenia Murillo Cajiao were listed as partners and/or shareholders of the S.A.s, and the board of directors of the S.A.s were as follows:

President:

Carlos Isidro Rojas Solano

Secretary:

Maria Eugenia Murillo Cajiao

Treasurer:

Gonzalo Munoz Vargas

Assistant:

Salvador Montanaro Ramirez

Manager:

Javier Garcia Penon

Assistant Manager:

Gina Garcia Penon.

The AAA members were simply listed as managing agents of their S.A.s. In reality, however, as the defendants well knew and believed, the owners, shareholders, partners, and board of directors of the S.A. were nominees and figureheads. The AAA members actually controlled all aspects of their respective S.A.s.

43. It was further part of the conspiracy that if AAA members actually paid the Look Forward purported "consulting fees" to their Sawtooth partnership, or to another AAA entity such as Waterline or Frangipani Corporation, these funds were sent by wire transfer to the AAA members' S.A.s. or to an account in Austria. These purported "consulting fees," for which the AAA members received an income tax deduction, would then be available to AAA members

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through the use of their Visa debit cards, or through direct wire transfer. When AAA members
desired to access or transfer these funds they called, e-mailed, or faxed a request or wire
directive, to the defendant RICHARD MARKS.

44. It was further part of the conspiracy that some AAA members did not pay the purported "consulting fees" under the Look Forward Program, but simply instructed their AAA planner to report the false tax deductions without transferring the underlying payment.

E. Overt Acts

In furtherance of the conspiracy, the following overt acts were committed by one or more of the conspirators:

- 45. Sometime prior to 1997, defendants KEITH ANDERSON and WAYNE ANDERSON formed, or caused to be formed, 703 Costa Rican corporations or "Sociedad Anonima" ("S.A.") to be used by AAA members in the United States and Canada to conceal funds in Costa Rica.
- 46. In or about 1997, the defendant RICHARD MARKS assumed control of Sawtooth Enterprises, an Nevada trust.
- 47. On or about December 8, 1997, defendant WAYNE ANDERSON directed that a correspondent account for La Maquina Blanca, S.A. be opened at the Pacific Industrial Bank in the Cayman Islands, with an United States correspondent bank of Amtrade International in Miami, Florida.
- 48. On or about December 17, 1998, defendants JAMES MORAN and PAMELA MORAN instructed AAA member Eric B. Carlson that he could get money to Costa Rica by writing checks to Sawtooth Enterprises.

RICHARD MARKS CLIENTS

49-65 On or about the dates indicated, defendants RICHARD MARKS, KAROLYN GROSNICKLE, RICHARD GROSNICKLE and others known and unknown to the Grand Jury, prepared and executed, or caused to be prepared and executed, the following partnership agreements in order to implement the fraudulent Look Back and Look Forward schemes for the

AAA members listed, as more particularly described in Paragraphs 35 through 44 of the Manner and Means of this Indictment:

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4	į		Date	AAA Member	Look Back Partnership	Look Forward Partnership
5	4	19.	7/1/97	Raghavan Chari	Sea West Venture	Meds Research, Ltd.
6	5	i0.	7/1/97	Marion Culhane	West Valley Venture	
7	5	1.	6/28/98	Marion Culhane		MC Marketing
8	5	2.	9/8/99	Daniel Luckzow	Barton Venture	
9	5	3.	11/22/99	Daniel Luckzow		Yahootie Marketing
10	5	4.	11/8/99	M. John Ludlow		Liberty Systems
11	5	5.	11/8/99	Steven L. Mohnkern		Liberty Systems
12	5	6.	7/1/97	Glen Murphy	Volga Venture	
13	5	7.	7/11/97	Glen Murphy		Sable Enterprises
14	5	8.	5/15/99	Glen Murphy		Sea-U-Marketing
	5	9.	11/10/99	William D. Plikerd	Libby Venture	
15 16	. 6	0.	12/1/99	William D. Plikerd		Grey Eagle Enterprise
17	6	1.	12/30/98	Peter J. Zavell	Swale Venture	Tri-Med Management, LLC
18	6	2.	12/30/98	Eric Dehlinger	Baton Venture	Med-Flo
19	<i>6</i> :	3.	7/1/98	Eric B. Carlson	O W-II	Management
20	O.	3.	7/1/96	enc B. Carison	Orange Valley Venture	
21	6	4.	1/26/99	Eric B. Carlson		Square Foot Consulting
22	6:	5.	12/16/98	Richard Sherwin	Thermal Venture	Tri-Vasco
23						Marketing.
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66-81 On or about the dates indicated, defendants RICHARD MARKS, KAROLYN GROSNICKLE, RICHARD GROSNICKLE and others known and unknown to the Grand Jury, prepared and executed, or caused to be prepared and executed, loan agreements, promissory notes, and other sundry documents purporting to represent a loan from La Maquina Blanca to

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various AAA members' Look Back partnerships with Mason Advertising, or Macromedia, as more particularly described in Paragraphs 35 to 39 of the Manner and Means of this Indictment:

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5		Date	AAA Member	Look Back Partnership	L	oan Amount
6	66.	12/27/97	Raghavan Chari	Sea West Venture	\$	710,000
7	67.	5/22/99	Raghavan Chari	Sea West Venture	\$	100,000
8	68.	12/27/97	Marion Culhane	West Valley Venture	\$	475,000
9	69.	12/30/98	Marion Culhane	West Valley Venture	\$	100,000
10	70.	11/22/99	Daniel Luczkow	Barton Venture	\$	675,000
	71.	12/15/00	Daniel Luczkow	Barton Venture	\$	250,000
11	72.	7/10/98	Glen Murphy	Volga Venture	\$	400,000
12	73.	12/1/99	William D. Plikerd	Libby Venture	\$	800,000
14	74.	12/15/00	William D. Plikerd	Libby Venture	\$	50,000
15	75.	12/30/98	Peter J. Zavell	Swale Venture	\$	500,000
16	76.	12/20/99	Peter J. Zavell	Swale Venture	\$	100,000
17	77.	12/30/98	Erik Dehlinger	Baton Venture	\$	650,000
18	78.	12/28/99	Erik Dehlinger	Baton Venture	\$	250,000
	79.	12/15/00	Erik Dehlinger	Baton Venture	\$	200,000
19 20	80.	1/26/99	Eric B. Carlson	Orange Valley Venture	\$	200,000
21	81.	12/18/98	Richard Sherwin	Thermal Venture	\$1	,000,000.

82-99 On or about the dates indicated defendant RICHARD MARKS prepared and filed, or caused to be prepared and filed, the following partnership income tax returns, which reported for the listed AAA members substantial deductions derived from the implementation of the Look Back scheme, as more particularly described in Paragraphs 35 through 39 of the Manner and Means of this Indictment:

1		Ι	Date	AAA Member	Partnership	Return Year
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3	8	32. 4	/15/98	Raghavan Chari	Sea West Venture	1997
	8	3. 5	/21/99	Raghavan Chari	Sea West Venture	1998
4	8	4. 4	/16/98	Marion Culhane	West Valley Venture	1997
5	8	5. 6	6/6/99	Marion Culhane	West Valley Venture	1998
6	8	6. 3	/18/00	Daniel Luczkow	Barton Venture	1999
7	8	7 . 7	/18/01	Daniel Luczkow	Barton Venture	2000
8	8	8. 1	2/7/98	Glen Murphy	Volga Venture	1997
9	8	9. 5	/11/99	Glen Murphy	Volga Venture	1998
10	9	0. 3	/25/00	William D. Plikerd	Libby Venture	1999
	9	1. 7.	/18/01	William D. Plikerd	Libby Venture	2000
11	9	2. 4.	/29/99	Peter J. Zavell	Swale Venture	1997
12	9	3. 3.	/20/00	Peter J. Zavell	Swale Venture	1998
13	9	4. 4.	/26/99	Erik Dehlinger	Baton Venture	1998
14	9	5. 8	/9/00	Erik Dehlinger	Baton Venture	1999
15	9.	6. 8	/8/01	Erik Dehlinger	Baton Venture	2000
16	<u></u> 9	7. 8/	/20/99		Orange Valley Venture	1998
17 18	9	8. 8/	/31/00		Orange Valley Venture	1999
19	99	9. 2/	/23/99	Richard Sherwin	Thermal Venture	1998.
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100-113 On or about the dates indicated defendant RICHARD MARKS prepared and filed, or caused to be prepared and filed, the following Partnership income tax returns, as a part of the implementation of the Look Forward scheme, as more particularly described in Paragraphs 40 through 44 of the Manner and Means of this Indictment:

	Date	AAA Member	Partnership	Return Year
100.	5/21/99	Raghavan Chari	Meds Research, Ltd.	1998
101.	6/26/01	Raghavan Chari	Meds Research, Ltd.	2000

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1	·	102.	6/6/99	Marion Culhane	MC Marketing	1998
2		103.	4/27/00	Marion Culhane	MC Marketing	1999
3		104.	7/18/01	Daniel Luczkow	Yahootie Marketing	2000
4		105.	5/10/99	Glen Murphy	Sable Enterprises	1998
5		106.	4/14/00	Glen Murphy	Sea-U Marketing	1999
6		107.	10/16/01	Glen Murphy	Sea-U Marketing	2000
7		108.	7/18/01	William D. Plikerd	Grey Eagle Enterprises	2000
8		109.	3/7/00	Peter J. Zavell	Tri-Med Management	1999
9		110.	3/26/01	Peter J. Zavell	Tri-Med Management	2000
11		111.	8/10/00	Erik Dehlinger	Med-Flo Management	1999
12		112.	8/8/01	Erik Dehlinger	Med-Flo	2000
13	:	110	0/01/00		Management	
14		113.	8/31/00	Eric B. Carlson	Square Foot Consulting	1999.
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and filed, or caused to be prepared and filed, the following U.S. Individual Income Tax Returns, Forms 1040, for the following AAA members which reported substantial income tax deductions derived from the implementation of the Look Forward and/or Look Back schemes, as reported on the AAA members' Partnership Income Tax Returns, and directly eliminated or greatly reduced their individual income liabilities:

	Date	AAA Member	Return Year
114.	3/24/98	Raghavan Chari	1997
115.	5/14/99	Raghavan Chari	1998
116.	6/16/01	Raghavan Chari	2000
117.	4/17/98	Marion Culhane	1997
118.	5/19/99	Marion Culhane	1998
119.	4/10/00	Marion Culhane	1999

1	120.	3/21/00	Daniel Luczkow	1999
2	121.	7/27/01	Daniel Luczkow	2000
3	122.	4/15/00	M. John Ludlow	1999
4	123.	4/16/00	Steven L. Mohnkern	1999
5	124.	12/14/98	Glen Murphy	1997
6	125.	5/11/99	Glen Murphy	1998
7	126.	4/17/00	Glen Murphy	1999
	127.	10/19/01	Glen Murphy	2000
8	128.	4/3/00	William D. Plikerd	1999
9	129.	7/22/01	William D. Plikerd	2000
10	130.	6/14/99	Peter J. Zavell	1998
11	131.	3/20/00	Peter J. Zavell	1999
12	132.	4/11/01	Peter J. Zavell	2000
13	133.	5/6/99	Erik Dehlinger	1998
14	134.	8/10/00	Erik Dehlinger	1999
i	135.	8/20/01	Erik Dehlinger	2000
15	136.	8/26/99	Eric B. Carlson	1998
16	137.	8/31/00	Eric B. Carlson	1999
17	138.	3/30/00	Richard Sherwin	1999.
18	139-147	On or about the da	tes indicated defendant RICHA	RD MAI

139-147 On or about the dates indicated defendant RICHARD MARKS prepared and filed, or caused to be prepared and filed, the following Applications for Tentative Refund, Forms 1045, for the following AAA members which carried back the Net Operating Losses generated for the AAA members by the Look Back scheme to earlier tax years requesting the following income tax refunds:

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	Date	AAA Member	Carry Back Years	Amount of Refund
139.	6/15/98	Raghavan Chari	1994-1996	\$ 131,304
140.	6/22/98	Marion Culhane	1995-1996	\$ 65,987
141.	5/23/00	Daniel Luczkow	1997-1998	\$ 115,517

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1	142.	2/8/99	Glen Murphy	1994-1996	\$ 60,568	
2	143.	5/23/00	William D. Plikerd	1997-1998	\$ 111,254	
3	144.	6/30/99	Peter J. Zavell	1996-1997	\$ 49,042	
4	145.	9/3/99	Erik Dehlinger	1996-1997	\$ 68,517	
5	146.	11/1/99	Eric B. Carlson	1996-1997	\$ 14,421	
6	147.	10/4/99	Richard Sherwin	1996-1997	\$ 181,889.	
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8	TARA LAGRAND CLIENTS					
9	148-1	56 On o	or about the dates indi	cated defendants	TARA LAGRAND,	
10	KAROLYN (GROSNICKL	E, RICHARD GROS	NICKLE, JAMES	S MORAN, PAMEL	
11	MORAN, and others known and unknown to the Grand Jury, prepared and executed, o					
12	to be prepared and executed, the following partnership agreements in order to impleme					
	l fraudulent Lo	ok Back and I	Look Forward scheme	es for the AAA m	embers listed as mo	

 $^{\mathsf{L}}\!\mathbf{A}$ or caused ent the fraudulent Look Back and Look Forward schemes for the AAA members listed, as more particularly described in Paragraphs 35 through 44 of the Manner and Means of this Indictment:

	148.	Date	AAA Member	Look Back Partnership	Look Forward Partnership
- 4	149.	10/1/99	Albert Franklin	Aireed Joint Venture	
·	150.	11/6/98	Thomas Freeman	Freette Joint Venture	Accusult Marketing
	151.	12/13/98	Terry McKnight	Janerry Joint Venture	Jathanelly Marketing
	152.	10/10/00	Austen Chan	Wachan Joint Venture	
	153.	12/12/00	Austen Chan		Interchiran Management
	154.	11/11/98	James L. Dixon	JLD Sparkle Venture	Dixdent, Inc.
	155.	10/1/00	Robert Ford	Lanny Venture	
	156.	10/1/00	Marilyn Hommes	Frohan Joint Venture	MFH Services.

157-166 On or about the dates indicated defendants TARA LAGRAND, KAROLYN GROSNICKLE, RICHARD GROSNICKLE, JAMES MORAN, PAMELA MORAN and others known and unknown to the Grand Jury, prepared and executed, or caused to

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be prepared and executed, loan agreements, promissory notes, and other sundry documents purporting to represent a loan from La Maquina Blanca to various AAA members' Look Back partnerships with Mason Advertising, or Macromedia, as more particularly described in Paragraphs 35 to 39 of the Manner and Means of this Indictment:

5 6			Date	AAA Member	Look Back Partnership	Lo	an Amount
7	1	57.	12/21/99	Albert Franklin	Aireed Joint Venture	\$ 1	,700,000
8	1.	58.	11/17/00	Albert Franklin	Aireed Joint Venture	\$	500,000
9	1.	59.	11/6/98	Thomas Freeman	Freette Joint Venture	\$	800,000
10	1	60.	10/1/99	Thomas Freeman	Freette Joint Venture	\$	600,000
11	10	61.	12/13/98	Terry McKnight	Janerry Joint Venture	\$	700,000
12	10	62.	10/10/00	Austen Chan	Wachan Joint Venture	\$	750,000
13	10	63.	11/11/98	James L. Dixon	JLD Sparkle Venture	\$	900,000
14	10	64.	12/11/00	James L. Dixon	JLD Sparkle Venture	\$	500,000
15	10	65.	10/1/00	Robert Ford	Lanny Venture	\$	450,000
16	10	66.	10/1/00	Marilyn Hommes	Frohan Joint Venture	\$ 3	,500,000.

167-175 On or about the dates indicated defendant TARA LAGRAND prepared and filed, or caused to be prepared and filed, the following Partnership income tax returns, which reported for the listed AAA members substantial deductions derived from the implementation of the Look Back scheme, as more particularly described in Paragraphs 35 through 39 of the Manner and Means of this Indictment:

	Date	AAA Member	Partnership	Return Year
167.	1/31/00	Albert Franklin	Aireed Joint Venture	1999
168.	2/5/01	Albert Franklin	Aireed Joint Venture	2000
169.	2/14/99	Thomas Freeman	Freette Joint Venture	1998
170.	2/1/00	Thomas Freeman	Freette Joint Venture	1999
171.	3/8/99	Terry McKnight	Janerry Joint Venture	1998

172.	1/24/01	Austen Chan	Wachan Joint Venture	2000
173.	2/26/99	James L. Dixon	JLD Sparkle Venture	1998
174.	1/25/01	James L. Dixon	JLD Sparkle Venture	2000
175.	2/9/01	Robert Ford	Lanny Venture	2000.

176-177 On or about the dates indicated defendant TARA LAGRAND prepared and filed, or caused to be prepared and filed, the following Partnership income tax returns, as part of the implementation of the Look Forward scheme, as more particularly described in Paragraphs 40 through 44 of the Manner and Means of this Indictment:

	Date	AAA Member	Partnership	Return Year
176.	2/14/01	Thomas Freeman	Accusult Marketing	2000
177.	2/16/00	Terry McKnight	Jathanelly Marketing	1999.
1//.	2/10/00	I CIT A INICIZIUSUL	Jamaneny Markenny	1777.

and filed, or caused to be prepared and filed, the following U.S. Individual Income Tax Returns, form 1040, for the following AAA members which reported substantial income tax deductions derived from the implementation of the Look Forward and/or Look Back schemes, as reported on the AAA members' Partnership Income Tax Returns, and directly eliminated or greatly reduced their individual income liabilities:

	Date	AAA Member	Return Year
178.	3/27/00	Albert Franklin	1999
179.	2/28/01	Albert Franklin	2000
180.	2/19/00	Thomas Freeman	1998
181.	3/14/01	Thomas Freeman	1999
182.	8/10/01	Thomas Freeman	2000
183.	4/6/99	Terry McKnight	1998

184.	4/10/00	Terry McKnight	1999
185.	5/10/01	Austen Chan	2000
186.	4/15/99	James L. Dixon	1998
187.	4/15/00	James L. Dixon	1999
188.	4/15/01	James L. Dixon	2000
189.	3/26/01	Robert Ford	2000.

190-195 On or about the dates indicated defendant TARA LAGRAND prepared and filed, or caused to be prepared and filed, the following Applications for Tentative Refund, Forms 1045, for the following AAA members which carried back the Net Operating Losses generated for the AAA members by the Look Back scheme to earlier tax years requesting the following income tax refunds:

		Date	AAA Member	Carry Back Years	Amount of Refund
	190.	4/7/00	Albert Franklin	1997-1998	\$ 140,872
	191.	7/22/99	Thomas Freeman	1996-1997	\$ 98,527
	192.	5/10/99	Terry McKnight	1996-1997	\$ 94,412
e jin <mark>t</mark>	193.	1/31/02	Austen Chan	1998-1999	\$ 68,568
	194.	4/26/99	James L. Dixon	1996-1997	\$ 133,782
	195.	7/2/01	Robert Ford	1998-1999	\$ 64,036.

196. On or about August 25, 2000, defendants JAMES MORAN and PAMELA MORAN sent a letter to AAA member Austen Chan stating that for the approximate cost of \$66,700 he could obtain income tax refunds totaling \$103,500. The letter further instructs Chan to forward a \$2,000 cashiers check to "CBC, Attention: Karolyn, in Hoodsport, Washington", payable to "GTE"

197. On or about September 28, 2000 defendant KAROLYN GROSNICKLE informed defendant TARA LAGRAND by facsimile printer that AAA member Austen Chan paid his \$2,000 deposit to AAA and that she will forwarded tax returns to defendant TARA LAGRAND by October 3, 2000.

198. On or about November 9, 2000 defendant TARA LAGRAND sent an E-Mail stating that the AAA business plan, or CBO, is not a tax shelter, but that it has the "sole purpose of generating a profit by the development and marketing of a product." Defendant TARA LAGRAND further stated that the AAA entity "has no connection with any foreign entities anywhere, ever."

199. On or about November 30, 2000 defendant KAROLYN GROSNICKLE communicated to defendant TARA LAGRAND, by facsimile printer, that she had received AAA member Austin Chan's \$33,200 loan fee.

200. On or about the following days defendant TARA LAGRAND called the AAA Administrative Center in Hoodsport, Washington: July 21, 1999; August 25, 1999; February 3, 2000; March 22, 2000; and September 18, 2000.

GARY KUZEL CLIENTS

On or about the dates indicated defendants, GARY KUZEL, KAROLYN GROSNICKLE, RICHARD GROSNICKLE and others known and unknown to the Grand Jury, prepared and executed, or caused to be prepared and executed, the following partnership agreements in order to implement the fraudulent Look Back and Look Forward schemes for the AAA members listed, as more particularly described in Paragraphs 35 through 44 of the Manner and Means of this Indictment:

	Date	AAA Member	Look Back Partnership	Look Forward Partnership
201.	7/2/98	Douglas Gilman		DG&S, LP
202.	12/31/98	Robert J. Marking	Pinetex Ventures	
203.	12/17/98	Robert J. Marking		Asford Marketing Group
204.	12/17/98	Steven Van Eyk		Pinehill Marketing Consultants
205.	12/28/98	Steven Van Eyk	Wharf Marketing Venture	

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2		206.	1/4/00	Subodh Pandit	Tulsa Marketing Venture	Pridma Marketing
3		207.	12/1/99	Dennis Robichaud	Rhine Marketing Venture	
4		208.	8/5/99	Sudhir Pandit		Benton Marketing & Consulting.
5		209-21	2 On or	about the dates indi	cated defendants GARY	KUZEL, KAROLYN
6 7	GROS	NICKL	E, RICHARD	GROSNICKLE and	d others known and unkn	own to the Grand Jury,
8	prepare	ed and e	xecuted, or ca	aused to be prepared	and executed, loan agre	ements, promissory
9	notes, a	and othe	er sundry docu	uments purporting to	represent a loan from La	a Maquina Blanca to
10					with Mason Advertising	
11	more p	articula	rly described	in Paragraphs 35 to 3	39 of the Manner and Me	eans of this Indictment:
12			Date	AAA Member	Look Back Partnership	Loan Amount
13 14		209.	12/31/98	Robert J. Marking	Pintex Ventures	\$ 475,000
15		210.	12/15/98	Steven Van Eyk	Wharf Marketing Venture	\$ 350,000
16	. <u>4</u> *	211.	12/1/99	Subodh Pandit	Tulsa Marketing Venture	\$ 450,000
17 18	Ì	212.	12/1/99	Dennis Robichaud	Rhine Marketing Venture	\$ 500,000.
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20		213-216	on or	about the dates indic	cated defendant GARY K	SUZEL prepared and
21	filed, o	caused			owing Partnership incom	
22	reported	d for the	e listed AAA 1	nembers substantial	deductions derived from	the implementation of
23	the Look Back scheme, as more particularly described in Paragraphs 35 through 39 of the					
24	Manner	and Me	eans of this In	dictment:		
25			Date	AAA Member	Partnership	Return Year
26		213.	4/13/99	Robert J. Marking	Pinetex Ventures	1998
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	Date	AAA Member	Partnership	Return Year
217.	3/17/99	Douglas Gilman	DG&S, LP	1998
218.	2/9/00	Douglas Gilman	DG&S, LP	1999
219.	1/24/01	Douglas Gilman	DG&S, LP	2000
220.	6/12/01	Robert J. Marking	Ashford Marketing Group	1999
221.	4/19/01	Robert J. Marking	Ashford Marketing Group	2000
- 222.	4/8/00	Steven Van Eyk	Pinehill Marketing Consultants	1999
223.	4/15/01	Steven Van Eyk	Pinehill Marketing Consultants	2000
224.	4/18/01	Subodh Pandit	Pridma Marketing	2000
225.	4/15/00	Sudhir Pandit	Benton Marketing & Consulting	1999
226.	4/19/01	Sudhir Pandit	Benton Marketing & Consulting	2000.

On or about the dates indicated defendant GARY KUZEL prepared and 227-239 filed, or caused to be prepared and filed, the following U.S. Individual Income Tax Returns, form 1040, for the following AAA members which reported substantial income tax deductions derived from the implementation of the Look Forward and/or Look Back schemes, as reported on

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		Date	AAA Member	Return Year
2	227.	4/11/99	Douglas Gilman	1998
2	28.	3/7/00	Douglas Gilman	1999
2	29.	4/1/01	Douglas Gilman	2000
2	30.	4/13/99	Robert J. Marking	1998
2	31.	6/12/01	Robert J. Marking	1999
2	32.	6/12/01	Robert J. Marking	2000
2	33.	4/19/99	Steven Van Eyk	1998
2	34.	4/12/00	Steven Van Eyk	1999
2	35.	4/15/00	Subodh Pandit	1999
2	36.	4/15/01	Subodh Pandit	2000
2	37.	10/23/00	Dennis Robichaud	1999
2	38.	7/13/00	Sudhir Pandit	1999
2	39.	4/15/01	Sudhir Pandit	2000.

On or about the dates indicated defendant, GARY KUZEL prepared and filed, or caused to be prepared and filed, the following Application for Tentative Refund, Form 1045, for the following AAA members which carried back the Net Operating Losses generated for the AAA members by the Look Back scheme to earlier tax years requesting the following income tax refunds:

	Date	AAA Member	Carry Back Years	Amount of Refund
240.	6/7/99	Steven Van Eyk	1996-1997	\$ 55,560
241.	7/19/00	Subodh Pandit	1997-1999	\$ 35,440

242. On or about August 20, 1999 defendant KAROLYN GROSNICKLE communicated with defendant GARY KUZEL, by facsimile printer, informing him that AAA member Subodh Pandit had paid his \$2,000 fee for purchasing a AAA CBO.

	243.	On or about November 29, 1999 defendant KAROLYN GROSNICKLE sent to
defend	lant GA	RY KUZEL, by facsimile printer, copies of two checks totaling \$7,500 from AAA
memb	er Subo	dh Pandit and indicated that to date AAA member Pandit had paid \$15,200.

- 244. On or about May 30, 2000 defendant GARY KUZEL sent a letter to AAA member Subodh Pandit instructing him on how to set up a bank account for his Look Forward partnership Pridma Marketing & Consulting.
- 245. On or about August 21, 2000 defendant RICHARD MARKS communicated with defendant GARY KUZEL by E-Mail stating: "I received a hand done Sawtooth instruction sheet from Pan/OK with all infor on sheet telling me where to put \$42,500 but -but-but he forgot to send the check I will call him I just want to make sure he is one of ours."
- 246. On or about October 27, 2000 defendant GARY KUZEL sent an invoice to AAA member Subodh Pandit indicating total charges of \$57,825, payments received of \$27,700, and a balance due of \$30,125.
- 247. On or about January 14, 2000 defendant KAROLYN GROSNICKLE communicated to defendant GARY KUZEL, by facsimile printer, that AAA member Sudhir Pandit had made his final \$10,100 payment to AAA for the purchase of his CBO.
- 248. On or about April 7, 2000 defendant KAROLYN GROSNICKLE communicated to defendant GARY KUZEL, by facsimile printer, that AAA member Sudhir Pandit had paid \$6,200 for his "S.A. and Visa."

LYNDEN BRIDGES CLIENTS

249-256 On or about the dates indicated, defendants LYNDEN BRIDGES,
KAROLYN GROSNICKLE, RICHARD GROSNICKLE and others known and unknown to the
Grand Jury, prepared and executed, or caused to be prepared and executed, the following
partnership agreements in order to implement the fraudulent Look Back and Look Forward
schemes for the AAA members listed, as more particularly described in Paragraphs 35 through
49 of the Manner and Means of this Indictment:

1 2		Date	AAA Member	Look Back Partnership	Look Forward Partnership
3	249.	2/11/98	Scott F. Creasia	SFC Services	Plumb Plumbing, LLC
4	250.	12/27/97	Vernon Brokke	Vineyard Hill Services	
5	251.	10/18/99	Donald Brown	Panama Don's Marketing Group	
7	252.	7/21/98	Alexander Cameron	Voice Response Communications	
8	253.	6/28/98	Alexander Cameron		Jentree, Enterprises, LLC
10	254.	1/1/97	Jeffrey Combs		Golden Wave Enterprises, LLC
11	255.	12/20/97	Drew Ivers	Bicentennial Services	
12 13	256.	12/31/97	Lawrence Sean Conlan		Chiropratic Management Services, LP.
14	257-264	On or	about the dates indic	cated defendants LYNDI	•

257-264 On or about the dates indicated defendants LYNDEN BRIDGES,
KAROLYN GROSNICKLE, RICHARD GROSNICKLE and others known and unknown to the
Grand Jury, prepared and executed, or caused to be prepared and executed, loan agreements,
promissory notes, and other sundry documents purporting to represent a loan from La Maquina
Blanca to various AAA members' Look Back partnerships with Mason Advertising, or
Macromedia, as more particularly described in Paragraphs 35 to 39 of the Manner and Means of
this Indictment:

21		Date	AAA Member	Look Back Partnership	Lo	an Amount
	257.	2/11/98	Scott F. Creasia	SFC Services	\$	675,000
23	258.	12/27/97	Vernon Brokke	Vineyard Hill Services	\$	250,000
25	259.	11/25/98	Vernon Brokke	Vineyard Hill Services	\$	150,000
26	260.	11/22/99	Donald Brown	Panama Don's Marketing Services	\$ 1	,500,000
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1 2		261.	11/8/00	Donald Brown	Panama Don's Marketing Services	\$	200,000
3		262.	7/21/98	Alexander Cameron	Voice Response Communications	\$	1,000,000
4		263.	12/20/97	Drew Ivers	Bicentennial Services	\$	400,000
5		264.	9/10/98	Drew Ivers	Bicentennial Services	\$	150,000.
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7		265-27	1 On o	r about the dates ind	icated defendant LYNDE	N B	RIDGES prepared
8	and file	ed, or ca	used to be pr	epared and filed, the	e following Partnership in	ncon	ne tax returns,
9	which	reported	for the listed	d AAA members sub	stantial deductions derive	ed fr	om the
	implen	nentatio	n of the Look	Back scheme, as m	ore particularly described	d in i	Paragraphs 35
10	l			nd Means of this Ind			0 1
11							
12	!		Date	AAA Member	Look Back	Re	turn Year
13					Partnership		
14		265.	1/19/99	Scott F. Creasia	SFC Services	199	98
15		266.	2/24/98	Vernon Brokke	Vineyard Hill Services	199	97
16 17	- Ast	267.	1/21/99	Vernon Brokke	Vineyard Hill Services	199	98

8 7 8 268. 4/15/00 Donald Brown Panama Don's 1999 Marketing Service 269. 4/15/99 Alexander Voice Response 1998 Cameron Communications 270. 2/17/98 Drew Ivers **Bicentennial Services** 1997 271. 1/26/99 Bicentennial Services Drew Ivers 1998

272-276 On or about the dates indicated defendant LYNDEN BRIDGES prepared and filed, or caused to be prepared and filed, the following Partnership income tax returns, as part of the implementation of the Look Forward scheme, as more particularly described in Paragraph 40 through 44 of the Manner and Means of this Indictment:

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1 2		Date	AAA Member	Look Forward Partnership	Return Year
3	272.	3/21/99	Scott F. Creasia	Plumb Plumbing, LLC	1998
4	273.	4/15/00	Scott F. Creasia	Plumb Plumbing, LLC	1999
5	274.	8/13/98	Jeffrey Combs	Golden Wave Enterprises, LLC	1997
7	. 275.	1/25/99	Jeffrey Combs	Golden Wave Enterprises, LLC	1998
8	276.	4/17/98	Lawrence Sean Conlan	Chiropractic Management	1997
9 10	277 287	On a	u ahassi iha dataa in di	Services, LP	N DDIDGEG

277-287 On or about the dates indicated defendant LYNDEN BRIDGES prepared and filed, or caused to be prepared and filed, the following U.S. Individual Income Tax Returns, form 1040, for the following AAA members which reported substantial income tax deductions derived from the implementation of the Look Forward and/or Look Back schemes, as reported on the AAA members' Partnership Income Tax Returns, and directly eliminated or greatly reduced their individual income liabilities:

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1.7		Date	AAA Member	Return Year
17	277.	4/15/99	Scott F. Creasia	1998
18	278.	4/15/00	Scott F. Creasia	1999
19	279.	4/15/98	Vernon Brokke	1997
20	280.	4/7/99	Vernon Brokke	1997
21	281.	4/15/00	Donald Brown	1998
22	282.	4/5/99	Alexander Cameron	1998
23	283.	4/15/98	Jeffrey Combs	1997
	284.	4/15/99	Jeffrey Combs	1998
24	285.	4/15/98	Drew Ivers	1997
25	286.	4/15/99	Drew Ivers	1998
26	287.	4/15/98	Lawrence Sean Conlan	1997
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288-291 On or about the dates indicated defendant LYNDEN BRIDGES prepared and filed, or caused to be prepared and filed, the following Applications for Tentative Refund, Forms 1045, for the following AAA members which carried back the Net Operating Losses generated for the AAA members by the Look Back scheme to earlier tax years requesting the following income tax refunds:

	Date	AAA Member	Carry Back Years	Amount of Refund
288.	6/22/99	Scott F. Creasia	1996-1997	\$ 158,619
289.	4/20/00	Donald Brown	1997-1998	\$ 287,829
290.	4/13/99	Alexander Cameron	1997	\$ 51,198
291.	2/11/98	Drew Ivers	1994-1996	\$ 56,058.

JAMES AND PAMELA MORAN

292. On the following dates JAMES MORAN and PAMELA MORAN organized and spoke at the AAA conferences at the locations indicated:

September 26, 1998	Grand Junction, Colorado
October 3, 1998	Denver, Colorado
October 10, 1998	Salt Lake City, Utah
October 18, 1998	Bangor, Maine
October 31, 1998	Sacramento, California
November 28, 1998	Dallas, Texas
December 12, 1998	Orlando, Florida
May 8-12, 1999	San Jose, Costa Rica
August 29, 1999	Tukwila, Washington
September 28, 1999	Reno, Nevada
August 30, 2000	Grand Junction, Colorado
October 2-3, 2000	Las Vegas, Nevada

	293.	On or about February 10, 1998 defendants JAMES MORAN and PAMELA
MOR	AN sent	information to AAA member Alexander Cameron, by regular United States Mail,
regard	ing the A	AAA Look Back scheme and attempted to convince him to sign up for a
\$3,000),000 loa	an instead of a \$1,000,000 loan.

- 294. On or about August 27, 1998 defendants JAMES MORAN and PAMELA MORAN sent a letter to AAA member Alexander Cameron, by regular United States Mail, instructing him to send all his AAA documents to Hoodsport, Washington, and make checks payable to "F. Wood, Attn: Karolyn".
- 295. On or about March 24, 1998 defendants JAMES MORAN and PAMELA MORAN directed AAA member Gary Danko to complete his AAA membership documents, AAA partnership agreements, and other AAA documents, and forward these documents, together with a check for \$ 5,500 payable to SMA, to "F. Wood, Attn: Karolyn, N. 250 Fairway Dr. E., Hoodsport, WA 98548."
- 296. On or about June 5, 2000 defendants KAROLYN GROSNICKLE and PAMELA MORAN stated that: they had about \$10,000,000 on deposit in La Maquina Blanca; AAA is in the business of tax reduction and asset protection; AAA has accountants across the United States with administrative offices in Hoodsport, Washington; all AAA documents and payments go through Hoodsport; they report to Keith Anderson; and AAA has a computer division in California.
- 297. On or about June 30, 2000 defendants KAROLYN GROSNICKLE and PAMELA MORAN stated to a prospective AAA member that he will have control over the funds he sends to Costa Rica.
- 298. On or about June 30, 2000 defendants KAROLYN GROSNICKLE and PAMELA MORAN stated to a prospective AAA member that with regard to the Look Back loan that they are not really expected to pay back the loan, but that for "IRS purposes" they have to appear to be liable for the loan.

	299.	On or about October 2, 2000 defendant JAMES MORAN stated to an audience at				
a AAA	semina	ar in Las Vegas that if they have any questions regarding their AAA program that				
they sh	they should call their Informational Officer, not defendant KAROLYN GROSNICKLE in					
Hoods	port, Wa	ashington. He continued that they should only contact Hoodsport to activate their				
AAA \	√isa car	d.				

- 300. On or about October 2, 2000, defendant PAMELA MORAN stated to an audience at a AAA seminar in Las Vegas that after the AAA members put money in their accounts in Costa Rica that an "excellent way to bring moneys back in" to the United States is to make it appear to be a loan because then they would not have to call it taxable income.
- 301. On or about October 3, 2000, defendant JAMES MORAN stated to an audience at a AAA seminar in Las Vegas that AAA members will not have to pay back the Look Back loan, but "I can't tell you that."
- 302. On or about February 28, 2001, defendants JAMES MORAN and PAMELA MORAN sent an e-mail to various AAA members and principals that directed them to remove all their records and computers from their homes to conceal them from the government.
- 303. On or about December 21, 2001, defendants JAMES MORAN and PAMELA MORAN purchased a home at 13780 Larkspur, Montrose, Colorado using two \$155,000 checks, numbered 4434 and 4439, drawn on an account at Banco Elca, San Jose, Costa Rica.
- 304. On or about January 22, 2002 defendant JAMES MORAN and PAMELA MORAN directed a AAA principal from Canada to go to Costa Rica to assess the financial situation of AAA. This individual reported back: "lots of money available for legal bills in CR and US, kidnaping, bribes, etc. BUT NONE FOR THE CLIENTS!....If we depend on Warren to complete the task, it will be months and maybe another year before the records are digitized and all paper records destroyed....The full disclosure of the condition of loan programs will not be public knowledge. This document will be filed with a lawyer and will only be taken out if something happens to JC."

305. From on or about February 11, 2002 through February 28, 2002 defendants

JAMES MORAN and PAMELA MORAN received 21 calls from SMA Ltd PS Diane & Eldon

Anderson, an ATT wireless account.

306. On March 4, 2002 defendants JAMES MORAN and PAMELA MORAN sent an e-mail to the AAA offices in Costa Rica wherein they stated: "if the CBO clients do not pay the taxes on these returns they have filed, they will turn against AAA and be a good witness against us and for the government in court-if it gets that far. We just don't want to be shooting ourselves in the foot."

WIRE TRANSFERS TO COSTA RICA BY RICHARD MARKS

307-370 On or about the dates indicated defendant RICHARD MARKS transferred, or caused to be transferred the following amounts for the listed AAA members from the Sawtooth account at U.S. Bank in Reno, Nevada, to accounts in the Republic of Costa Rica and Anglo Irish Bank, Rathausstrasse 20, 1010 Vienna Austria:

		Client Name	S.A. Name	Date	Amount of Wire Transfer	Destination
en e	307.	Lawrence Sean Conlan	Investt Polian	3/14/00	\$61,750	Anglo-Irish Bank Vienna, Austria
•	308.	Mark Bergquist	Investt Sol Mundo	9/7/00	\$130,150	Anglo-Irish Bank Vienna, Austria
	309.	Mark Bergquist	Investt Sol Mundo	11/13/00	\$33,250	Banco Elca, SA San Jose, Costa Rica
	310.	Raghavan Chari	Investt Mundote	2/15/01	\$11,400	Banco Elca, SA San Jose, Costa Rica
	311.	Marion Culhane	Investt Tempo	6/23/99	\$11,400	Anglo-Irish Bank Vienna, Austria
	312.	Marion Culhane	Investt Tempo	9/10/99	\$8,550	Anglo-Irish Bank Vienna, Austria
	313.	Marion Culhane	Investt Tempo	11/23/99	\$14,250	Anglo-Irish Bank Vienna, Austria

1 2			Client Name	S.A. Name	Date	Amount of Wire	Destination
	∦ .					Transfer	
3		314.	Marion Culhane	Investt Tempo	1/18/00	\$5,700	Anglo-Irish Bank Vienna, Austria
5		315.	Marion Culhane	Investt Tempo	6/6/00	\$8,550	Anglo-Irish Bank Vienna, Austria
6 7		316.	Marion Culhane	Investt Tempo	10/16/00	\$11,400	Banco Elca, SA San Jose, Costa Rica
8		317.	Roger Firestein	JOTBAH Trading	5/27/99	\$7,500	Anglo-Irish Bank Vienna, Austria
9 10		318.	Roger Firestein	JOTBAH Trading	8/19/99	\$8,075	Anglo-Irish Bank Vienna, Austria
11		319.	Roger Firestein	JOTBAH Trading	9/10/99	\$12,825	Anglo-Irish Bank Vienna, Austria
12		320.	Roger Firestein	JOTBAH Trading	11/30/99	\$33,725	Anglo-Irish Bank Vienna, Austria
13 14		321.	Roger Firestein	JOTBAH Trading	1/18/00	\$31,350	Anglo-Irish Bank Vienna, Austria
15		322.	Roger Firestein	JOTBAH Trading	2/11/00	\$36,100	Anglo-Irish Bank Vienna, Austria
16	·*	323.	Roger Firestein	JOTBAH Trading	6/22/00	\$23,750	Anglo-Irish Bank Vienna, Austria
17 18		324.	John Ludlow	Developp Pesca	11/30/99	\$18,620	Anglo-Irish Bank Vienna, Austria
19		325.	John Ludlow	Developp Pesca	1/18/00	\$37,200	Anglo-Irish Bank Vienna, Austria
20		326.	John Ludlow	Developp Pesca	3/28/00	\$55,800	Anglo-Irish Bank Vienna, Austria
22		327.	John Ludlow	Developp Pesca	4/14/00	\$18,600	Anglo-Irish Bank Vienna, Austria
23		328.	John Ludlow	Developp Pesca	5/24/00	\$37,200	Anglo-Irish Bank Vienna, Austria
24 25		329.	John Ludlow	Developp Pesca	6/22/00	\$37,200	Anglo-Irish Bank Vienna, Austria
26		330.	John Ludlow	Developp Pesca	8/2/00	\$27,900	Anglo-Irish Bank Vienna, Austria
27							•
28							UNITED STATES ATTOR

1 2			Client Name	S.A. Name	Date	Amount of Wire Transfer	Destination
3 4		331.	John Ludlow	Developp Pesca	11/13/00	\$46,500	Banco Elca, SA San Jose, Costa Rica
5 6		332.	John Ludlow	Developp Pesca	2/15/01	\$23,250	Banco Elca, SA San Jose, Costa Rica
7 8	·	333.	Glen Murphy	Investt Finca Grande	8/19/99	\$71,250	Anglo-Irish Bank Vienna, Austria
9 10		334.	Glen Murphy	Investt Finca Grande	3/14/00	\$ 5,000	Anglo-Irish Bank Vienna, Austria
11		335.	Glen Murphy	Investt Finca Grande	6/6/00	\$20,000	Anglo-Irish Bank Vienna, Austria
12	ļ	336.	Glen Murphy	Investt Finca Grande	9/7/00	\$ 9,000	Anglo-Irish Bank Vienna, Austria
14 15		337.	Glen Murphy	Investt Finca Grande	10/16/00	\$20,000	Banco Elca, SA San Jose, Costa Rica
16 17	,	338.	William Plikerd	Extra Alireza	4/14/00	\$61,750	Anglo-Irish Bank Vienna, Austria
18		339.	William Plikerd	Extra Alireza	8/11/00	\$47,500	Anglo-Irish Bank Vienna, Austria
19		340.	Peter Zavell	Investt Dallas	6/23/99	\$ 9,025	Anglo-Irish Bank Vienna, Austria
20		341.	Peter Zavell	Investt Dallas	9/10/99	\$21,660	Anglo-Irish Bank Vienna, Austria
22		342.	Peter Zavell	Investt Dallas	11/23/99	\$15,162	Anglo-Irish Bank Vienna, Austria
23		343.	Peter Zavell	Investt Dallas	1/18/00	\$30,048	Anglo-Irish Bank Vienna, Austria
24 25		344.	Peter Zavell	Investt Dallas	2/11/00	\$14,478	Anglo-Irish Bank Vienna, Austria
26		345.	Peter Zavell	Investt Dallas	3/14/00	\$14,383	Anglo-Irish Bank Vienna, Austria
27							
28							UNITED STATES ATTOR

1 2		Client Name	S.A. Name	Date	Amount of Wire Transfer	Destination
3	346.	Peter Zavell	Investt Dallas	4/14/00	\$13,537	Anglo-Irish Bank Vienna, Austria
. 5	347.	Peter Zavell	Investt Dallas	5/24/00	\$13,986	Anglo-Irish Bank Vienna, Austria
6	348.	Peter Zavell	Investt Dallas	6/22/00	\$13,577	Anglo-Irish Bank Vienna, Austria
7 8	349.	Peter Zavell	Investt Dallas	8/2/00	\$10,378	Anglo-Irish Bank Vienna, Austria
9	350.	Peter Zavell	Investt Dallas	8/11/00	\$11,727	Anglo-Irish Bank Vienna, Austria
10 11	351.	Peter Zavell	Investt Dallas	11/13/00	\$22,565	Banco Elca, SA San Jose, Costa Rica
12 13	352.	Peter Zavell	Investt Dallas	2/15/01	\$11,780	Banco Elca, SA San Jose, Costa Rica
14	353.	Terry L. McKnight	Developp Amado	8/19/99	\$42,750	Anglo-Irish Ban k Vienna, A ustria
15 16	354.	Terry L. McKnight	Developp Amado	11/23/99	\$33,250	Anglo-Irish Bank Vienna, Austria
17	355.	Terry L. McKnight	Developp Amado	6/6/00	\$23,750	Anglo-Irish Bank Vienna, Austria
18	356.	Terry L. McKnight	Developp Amado	8/2/00	\$28,025	Anglo-Irish Bank Vienna, Austria
19 20	357.	Terry L. McKnight	Developp Amado	8/11/00	\$4,750	Anglo-Irish Bank Vienna, Austria
21	358.	Douglas G. Gilman	Investt Chevy	6/23/99	\$27,075	Anglo-Irish Bank Vienna, Austria
22	359.	Douglas G. Gilman	Investt Chevy	9/10/99	\$7,220	Anglo-Iris h Bank Vienna, Austria
24	360.	Douglas G. Gilman	Investt Chevy	11/30/99	\$7,220	Anglo-Irish Bank Vienna, Austria
25	361.	Douglas G. Gilman	Investt Chevy	3/14/00	\$18,050	Anglo-Irish Bank Vienna, Austria
26 27	362.	Douglas G. Gilman	Investt Chevy	3/28/00	\$17,575	Anglo-Irish Bank Vienna, Austria
28						UNITED STATES ATTOR

- 371. On or about August 29, 1999 defendants WAYNE ANDERSON, RICHARD MARKS, RICHARD GROSNICKLE, and KAROLYN GROSNICKLE attended the AAA conference in Tukwila, Washington.
- 372. On or about December 23, 1999 defendant KAROLYN GROSNICKLE explained to a prospective AAA member that the purpose of transferring members' funds to a Costa Rican S.A. account is to make it look like the member no longer owns those funds, but that they do not really lose control of the funds.
- 373. On or about December 23, 1999 defendants KAROLYN GROSNICKLE and RICHARD MARKS explained to a prospective AAA member that with the AAA system they can take tax deductions for money moved offshore through Sawtooth Enterprises and that by putting the money in a Costa Rican S.A. account it would be untaxed and could be brought back to the United States through the use of a Visa debit card.

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374. On or about December 23, 1999 defendant KAROLYN GROSNICKLE instructed a prospective AAA member to send payment for the AAA system to "SMA" but not put any notations on the check that would "raise[s] any kind of red flags."

375. On or about November 16, 2000 defendant KEITH E. ANDERSON stated to potential AAA members in reference to the "Look Forward" scheme: "You'd have no ownership and no authority or a controller as in ownership rights, and that's absolutely necessary. Because if you became a beneficial owner of a foreign organization, then you'd be back to having a, to be filling a returns, having withholdings on investments that might go back to the U.S. of A. and potential liens, levies, and seizures." Defendant KEITH E. ANDERSON further stated in response to a question of whether or not the potential AAA member would have access to his funds offshore in Costa Rica: "Absolutely, absolutely. And by the way, we just do everything in the world we can to help people save, you know, their own money for the, so they don't have to pay social security tax, income tax, interest to banks and insurance, so they can get a life, you know?"

376. On or about November 16, 2000 defendant KEITH E. ANDERSON stated in response to a question from an AAA member regarding whether or not they would have to pay back the Look Back loan: "Well, alls [sic] I can say is that you don't have to be concerned about that. Now, you know those loans have got to be generated to create tax write-offs. You know that has to, has got to be the case. You have to have a real loan and it's got to be created to go back into the past, recover tax liabilities. So, in the event of any kind of a disaster and, of course, this cannot be put in writing or anything, in case of a disaster, there will be a consideration forthcoming to liquidate the note, and in a matter where it does not create a tax liability." defendant KEITH E. ANDERSON further stated: "But in the worse case scenario, no one is going to be knocking at your door, putting liens on your homes and cars and all that kind of stuff ... Now, you guys understand we cannot put that in writing, you know, we just got to give it some, have to have some verbal understandings here. That's just the way it has to be."

All in violation of Title 18, United States Code, Section 371.

1	The Grand Jury Further Charges
2	COUNT 2
3	Conspiracy to Commit Wire and Mail Fraud
4	377. Paragraphs 1 - 26 and 28 - 376 are re-alleged and incorporated as if set forth fully
5	herein.
6	A. The Offense
7	378. On or about January 1, 1996 through the present, within the Western District of
8	Washington and elsewhere,
9	KEITH E. ANDERSON
10	RICHARD MARKS
11	WAYNE ANDERSON
12	KAROLYN GROSNICKLE
13	RICHARD GROSNICKLE
14	PAMELA MORAN, and
15	JAMES MORAN
16	together with others both known and unknown to the Grand Jury, did unlawfully and knowingly
17	conspire to devise and execute a scheme to defraud AAA members, using electronic funds
18	transfers in interstate commerce, and by the U.S. Mails and commercial carriers, by charging
19	substantial fees to AAA members to invest in the Tax Magic program through the purported
20	issuance of loans from La Maquina Blanca, knowing full well that the Tax Magic loans were
21	illusory and that the so-called "loan fees" were in fact simply retained by the defendants, in
22	violation of Title 18 United States Code, Sections 2, 1341, and 1343.
23	B. Purpose of the Conspiracy
24	379. It was the purpose of the conspiracy to defraud AAA members who invested in
25	the Tax Magic program by representing to them that the substantial fees they paid to AAA were
26	in exchange for a loan from La Maquina Blanca, which loan proceeds were to be invested in Tax
27	Magic through an entity known as Mason Advertising, or Macromedia. In reality, La Maquina
28	

Blanca, Mason Advertising, and Macromedia were all shell corporations without places of business, employees, or assets, and merely names on accounts controlled by AAA at various financial institutions. The fees Tax Magic investors paid were simply deposited into various accounts for the benefit of the defendants.

C. Manner and Means

- 380. As a part of the conspiracy, and in order to further its objectives, the defendants KEITH E. ANDERSON, RICHARD MARKS, WAYNE ANDERSON, KAROLYN GROSNICKLE, RICHARD GROSNICKLE, PAMELA MORAN, and JAMES MORAN assigned an information officer to potential AAA members who expressed an interest in investing in the Tax Magic program. The defendants JAMES MORAN and PAMELA MORAN were the Chief Information Officers for the Tax Magic program, and themselves sold approximately 100 Tax Magic investments.
- 381. It was further part of the conspiracy that the information officers told Tax Magic investors that Tax Magic was to be a program that would assist taxpayers in financial planning, specifically, reducing their income tax liabilities. The program would include a book, a series of audiotapes, and a "1-900" information telephone line.
- 382. It was further part of the conspiracy that Tax Magic investors were also told that Mason Advertising would provide advertising services to the Tax Magic venture. In early 2000 defendants started telling AAA members that an entity named "Macromedia" would be providing these services.
- 383. It was further part of the conspiracy that Tax Magic investors were told that to invest in the Tax Magic program a partnership would be formed between themselves and Mason Advertising (later Macromedia) in which they would hold a 95% interest and Mason Advertising would hold a 5% interest.
- 384. It was further part of the conspiracy that Tax Magic investors also had to purchase a business plan, for \$2,000, and a Complex Business Organization, for \$16,500. Investors were instructed to pay these fees with a cashiers check made payable to one of the following payees:

R&R International; Freedom Enterprises; GTE; SMA; or CBC. The investors were instructed to send these checks to the AAA administrative center at N. 250 Fairway Drive East, Hoodsport, Washington. Once received, the defendants KAROLYN GROSNICKLE and/or RICHARD GROSNICKLE deposited these cashiers checks to the appropriate accounts.

- 385. It was further part of the conspiracy that on behalf of Mason Advertising, and/or Macromedia, the partnership agreements were signed by defendants RICHARD GROSNICKLE and/or KAROLYN GROSNICKLE.
- 386. It was further part of the conspiracy that the Tax Magic investors were given a series of projections which indicated that once the Tax Magic program was on the market, within 3 5 years, profits would be sufficient to pay back these "investment loans." The investors were further assured that if the profits from Tax Magic were insufficient to pay these back these loans, that Mason Advertising would guarantee the loans would be re-paid.
- 387. It was further part of the conspiracy that to consummate these loans, the Tax Magic investors were required to pay "loan fees" to La Maquina Blanca of between 5 to 7% of the loan amount.
- 388. It was further part of the conspiracy that once the fees for the Gateway to Financial Freedom tapes, Business Plan, and CBO were paid and deposited, the defendants electronically transferred each investor's fees to the La Maquina Blanca account in Costa Rica. These fees were then divided among the defendants based on a pre-determined schedule.
- 389. It was further part of the conspiracy that after the "loan fees" were paid, these funds were also electronically transferred to the La Maquina Blanca account in Costa Rica, and then a portion paid to the appropriate AAA accountants' and information officers' personal accounts. Initially the AAA accountant that worked on a particular Tax Magic loan was paid a flat fee. Starting in 1999, the AAA accountants received an amount equal to 1% of the gross loan amount for each loan they worked on.
- 390. It was further part of the conspiracy that the information officer that brought in a Tax Magic investor was paid a flat fee. In addition, each information officer also received

payments for any additional Tax Magic investors brought in by other information officers they may have recruited to sell the Tax Magic investment.

391. It was further part of the conspiracy that for one AAA member, on a \$250,000 Tax Magic loan, an investor would pay \$42,700 in fees to AAA, which would be divided as follows:

TARA LAGRAND	\$?	11,1	750
JAMES AND PAMELA MORAN	\$	4,4	100
WAYNE ANDERSON	\$	7	750
KEITH ANDERSON AND OTHERS	\$2	25,8	300

- 392. It was further part of the conspiracy that as the defendants knew, and concealed from Tax Magic investors, La Maquina Blanca and Macromedia, were not independent, operating companies, but simply names used for bank accounts controlled by AAA at financial institutions in the United States and Costa Rica.
- 393. It was further part of the conspiracy that as the defendants knew, and concealed from Tax Magic investors, La Maquina Blanca did not actually "lend" any of the money represented in the so called Tax Magic loans. To make it appear as if these loans were actually funded, the defendants issued a check from a La Maquina Blanca account payable to Mason Advertising. After this check was deposited into a Mason Advertising account in Costa Rica, the funds were transferred to another account in Costa Rica under the name "Abesx Del Norte." From there the funds were redeposited into the La Maquina Blanca account and co-mingled with other AAA member funds to be recycled as additional Tax Magic loans. The La Maquina Blanca, Mason Advertising, and Abesx Del Norte accounts were all controlled by AAA.
- 394. It was further part of the conspiracy that each month, the amount of Tax Magic loans that could be underwritten were limited to the amount of funds currently on deposit in the La Maquina Blanca account in Costa Rica. The defendants KEITH ANDERSON, WAYNE ANDERSON and RICHARD MARKS periodically informed the AAA accountants that new Tax Magic loans could not be written due to lack of funds.

395. It was further part of the conspiracy that as the defendants knew, and concealed from Tax Magic investors, Mason Advertising did not promote, market, nor do any business regarding Tax Magic. Mason Advertising did not have a place of business, any employees, nor any physical assets. Mason Advertising was simply a shell corporation used to recycle the Tax Magic loan proceeds back to the La Maquina Blanca bank account.

396. It was further part of the conspiracy that, as of the date of this indictment, none of the promised Tax Magic products have been produced, marketed or sold, and profits have not been realized. Additionally, there have been no efforts to collect the Tax Magic "loans."

397. It was further part of the conspiracy that, from the conspiracy to defraud Tax Magic investors, the defendants received approximately the following amounts of income:

	KEITH E. ANDERSON	\$ 823,295
	RICHARD MARKS	\$ 658,779
	WAYNE ANDERSON	\$ 1,333,669
	KAROLYN AND RICHARD GROSNICKLE	\$ 223,173
	PAMELA AND JAMES MORAN	\$ 850,863
-	TARA LAGRAND	\$ 759,620
	GARY KUZEL	\$ 384,900
	LYNDEN BRIDGES	\$ 199,655

D. Overt Acts

398. From in or about 1996 through 2001 defendants KEITH E. ANDERSON, RICHARD MARKS, WAYNE ANDERSON, KAROLYN GROSNICKLE, RICHARD GROSNICKLE, PAMELA MORAN, JAMES MORAN, TARA LAGRAND, GARY KUZEL, and LYNDEN BRIDGES, through the operation of AAA, caused the following amounts to be deposited by AAA members into various accounts at domestic financial institutions in Port Townsend, Washington and elsewhere:

III

403. On or about the dates indicated, in the Western District of Washington and elsewhere,

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KEITH E. ANDERSON, WAYNE ANDERSON,

KAROLYN GROSNICKLE,

RICHARD GROSNICKLE, and

LYNDEN BRIDGES

did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of the following U.S. Individual Tax Returns, Forms 1040, for the calendar years 1996-2000 which were false and fraudulent as to a material matter in that on the lines indicated below the defendants aided and assisted in reporting income from partnerships, S corporations, and Schedule C businesses which they then and there well knew and believed were reduced by false "consulting," "management," and "advertising" expenses (Look Forward); and on the lines indicated below, the defendants aided and assisted in reporting net operating losses from partnerships they then and there well knew and believed to be false (Look Back):

COUNT	Taxpayer	Return Year	Type of Return	Date Filed	Return Line	Amount Reported
3	Vernon L. Brokke	1997	1040	5/18/98	Line 17	(\$474,814)
4	Vernon L. Brokke	1998	1040	5/24/99	Line 17	(\$131,048)
5	Donald Brown	1999	1040	4/15/00	Line 17	(\$1,432,325)
6	Alexander Cameron	1998	1040	4/15/99	Line 17	(\$457,367)
7	Alexander Cameron	1999	1040	10/16/00	Line 17	(\$242,288)

1 2	8	Jeffrey Combs	1997	1040	4/15/98	Line 17	\$108,892			
3	9	Jeffrey Combs	1998	1040	4/15/99	Line 17	\$128,360			
4	10	Lawrence Sean Conlan	1997	1040	4/15/98	Line 12	\$ 24,929			
5 6	11	Scott Creasia	1998	1040	3/24/99	Line 17	(\$561,52 5)			
7	12	Scott Creasia	1999	1040	4/15/00	Line 17	\$ 37,333			
8	13	Drew Ivers	1997	1040	4/15/98	Line 17	(\$418,04 0)			
9	14	Drew Ivers	1998	1040	4/15/99	Line 17	(\$143,189)			
10	15	Drew Ivers	1999	1040	4/15/00	Line 17	(\$ 84,265)			
11										
12	All in violation of Title 26, United States Code, Section 7206(2).									
13	The Grand Jury Further Charges:									
14				COUNTS						
15	AIDING AND ASSISTING THE FILING OF MATERIALLY FALSE INCOME TAX RETURNS									
16	an'									
17	404.	Paragraphs 1	- 26 and	28 - 376 are	re-alleged and	lincorporated	as if set forth fully			
18	herein.									
19	\\\									
20	\\\									
21	405.	On or about t	he dates i	ndicated, in	the Western D	istrict of Was	hington and			
22	elsewhere,									
23	KEITH E. ANDERSON,									
24	WAYNE ANDERSON,									
25	KAROLYN GROSNICKLE,									
26			RICH	ARD GRO	SNICKLE, an	ıd				
27										
28	INDICTMENT "	S. v. KEITH E. ANDI	EDSON	47			UNITED STATES ATTORN! 601 Union Street Suite 5100			
	ANDICAMENT /U.	o. v. Kehin e. andi	GROUN, CLAI	- 4/			231122100			

RICHARD MARKS

did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of the following U.S. Individual Tax Returns, Forms 1040, for the calendar years 1996-2000 which were false and fraudulent as to a material matter in that on the lines indicated below the defendants aided and assisted in reporting income from partnerships, S corporations, and Schedule C businesses which they then and there well knew and believed were reduced by false "consulting," "management," and "advertising" expenses (Look Forward); and on the lines indicated below, the defendants aided and assisted in reporting net operating losses from partnerships they then and there well knew and believed to be false (Look Back):

COUNT	Taxpayer	Return Year	Type of Return	Date Filed	Return Line	Amount Reported
16	Bruce Burner	1999	1040	10/12/00	Line 17	(\$835,416)
17	Eric B. Carlson	1998	1040	9/9/99	Line 17	\$216,504
18	Eric B. Carlson	1999	1040	10/13/00	Line 17	\$ 47,434
19	Raghavan Chari	1997	1040	4/15/98	Line 17	(\$700,658)
20	Raghavan Chari	1998	1040	7/19/99	Line 17	(\$ 98,498)
21	Marion Culhane	1997	1040	5/19/98	Line 17	(\$343,213)
22	Marion Culhane	1998	1040	6/6/99	Line 17	\$ 82,729
23	Marion Culhane	1999	1040	4/15/00	Line 17	\$156,952
24	Eric Dehlinger	1998	1040	6/8/99	Line 17	(\$646,594)
25	Eric Dehlinger	1999	1040	8/13/00	Line 12	\$ 240,614

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UNITED STATES ATTORNEY 601 Union STREET SUITE 5100 SEATTLE, WASHINGTON 98101 (206) 553-7970

1 2	26	Eric Dehlinger	1999	1040	8/13/00	Line 17	(\$242,670)
3	27	Eric Dehlinger	2000	1040	9/4/01	Line 17	(\$104,533)
4	28	Roger Firestein	1997	1040	4/15/98	Line 17	(\$356,709)
5	29	Roger Firestein	1998	1040	4/15/99	Line 12	\$ 34,894
7	30	Donald Gale	1999	1040	4/15/00	Line 17	(\$405,527)
8	31	Daniel Luczkow	1999	1040	5/10/00	Line 17	(\$490,080)
9	32	Daniel Luczkow	2000	1040	7/27/01	Line 17	(\$166,824)
11	33	Glen Murphy	1998	1040	11/4/99	Line 12	\$122,767
12 13	34	Glen Murphy	1998	1040	11/4/99	Line 17	(\$ 95,847)
14	35	Glen Murphy	1999	1040	7/26/00	Line 12	\$ 3,673
15	36	Edward Peck	1998	1040	4/15/99	Line 17	(\$550,501)
16 17	37	William Plikerd	1999	1040	5/15/00	Line 17	(\$582,180)
18	38	William Plikerd	2000	1040	8/14/01	Line 17	(\$ 17,650)
19	39	Peter Zavell	1998	1040	6/23/99	Line 17	(\$420,867)
20	40	Peter Zavell	1999	1040	5/22/00	Line 17	(\$ 43,281)
	1						

All in violation of Title 26, United States Code, Section 7206(2).

The Grand Jury Further Charges:

COUNTS 41 - 55

AIDING AND ASSISTING THE FILING OF MATERIALLY FALSE INCOME TAX RETURNS

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406. Paragraphs 1 - 26 and 27 - 376 are re-alleged and incorporated as if set forth fully erein.

407. On or about the dates indicated, in the Western District of Washington and sewhere,

KEITH E. ANDERSON,
WAYNE ANDERSON,
KAROLYN GROSNICKLE,
RICHARD GROSNICKLE,
PAMELA MORAN,
JAMES MORAN, and
TARA LAGRAND

did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of the following U.S. Income Tax Returns, for the calendar years 1996-2000, which were false and fraudulent as to a material matter in that on the lines indicated below the defendants aided and assisted in reporting income from partnerships, S corporations, and Schedule C businesses which they then and there well knew and believed were reduced by false "consulting," "management," and "advertising" expenses (Look Forward); and on the lines indicated below, the defendants aided and assisted in reporting net operating losses from partnerships they then and there well knew and believed to be false (Look Back):

COUNT	Taxpayer	Return Year	Type of Return	Date Filed	Return Line	Amount Reported
41	Austen I.Y. Chan	2000	1040	5/15/01	Line 17	(\$575,637)
42	Michael W. Chan	2000	1040	4/29/01	Line 17	(\$122,337)
43	James L. Dixon	1998	1040	4/15/99	Line 17	(\$845,297)
44	James L. Dixon	2000	1040	4/15/01	Line 17	(\$446,113)

1	45	Robert Ford	2000	1040	4/15/01	Line 17	(\$421,197)
2	46	Albert Reed Franklin	1999	1040	4/15/00	Line 17	(\$957,997)
4	47	Albert Reed Franklin	2000	1040	4/15/01	Line 17	(\$421,091)
5	48	Thomas Larry Freeman	1998	1040	9/20/99	Line 17	(\$374,985)
6	49		1000	1040	4 (4 7 (0 0		
7	49	Thomas Larry	1999	1040	4/15/00	Line 17	(\$536,101)
8		Freeman					
9	50	Thomas Larry	2000	1040	8/17/01	Line 17	\$ 204,927
10		Freeman					
11	51	Terry L. McKnight	1998	1040	4/15/99	Line 17	(\$742,290)
12	52	McKnight Chiropractic	1999	1120	3/22/00	Line 23	\$ 80,660
13		Clinic, P.A.					
14	53	McKnight Chiropractic	2000	1120	3/15/01	Line 23	\$ 60,300
15		Clinic, P.A.					
16	54	Robert Marking	1999	1040	6/12/01	Line 12	\$ 5,473
17	55	Robert	2000	1040	6/12/01	Line 17	\$ 16,832
18		Marking					·

All in violation of Title 26, United States Code, Section 7206(2).

The Grand Jury Further Charges:

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COUNTS 56 - 67

AIDING AND ASSISTING THE FILING OF MATERIALLY FALSE INCOME TAX RETURNS

408. Paragraphs 1 - 26 and 28 - 376 are re-alleged and incorporated as if set forth fully herein.

409. On or about the dates indicated, in the Western District of Washington and elsewhere,

KEITH E. ANDERSON,

WAYNE ANDERSON,

KAROLYN GROSNICKLE,

RICHARD GROSNICKLE, and

GARY KUZEL

did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of the following U.S. Income Tax Returns, for the calendar years 1996-2000, which were false and fraudulent as to a material matter in that on the lines indicated below the defendants aided and assisted in reporting income from partnerships, S corporations, and Schedule C businesses which they then and there well knew and believed were reduced by false "consulting," "management," and "advertising" expenses (Look Forward); and on the lines indicated below, the defendants aided and assisted in reporting net operating losses from partnerships they then and there well knew and believed to be false (Look Back):

COUNT	Taxpayer	Return Year	Type of Return	Date Filed	Return Line	Amount Reported
56	DG&S Limited Partnership	1998	1065	3/30/99	Line 1a	\$ 55,000
57	DG&S Limited Partnership	1999	1065	4/15/00	Line 1a	\$ 106,881
58	Douglas Gilman	2000	1040	4/15/01	Line 1a	\$ 187,736
59	Subodh Pandit	1999	1040	4/15/00	Line 17	(\$396,188)
60	Subodh Pandit	2000	1040	4/15/01	Line 17	\$ 89,754
61	Sudhir Pandit	1999	1040	4/17/00	Line 17	\$ 54,632

1 2	62	Sudhir Pandit	2000	1040	4/15/01	Line 17	\$ 122,063
3	63	Robert Marking	1998	1040	7/5/99	Line 17	(\$451,984)
4	64	Dennis Robichaud	1999	1040	10/23/00	Line 17	(\$475,815)
5	65	Steven Van Eyk	1998	1040	4/15/99	Line 17	(\$333,205)
7	66	Steven Van Eyk	1999	1040	4/15/00	Line 17	(\$ 7,154)
8	67	Steven Van Eyk	2000	1040	10/17/01	Line 17	(\$ 9,785)
10	All in violation of Title 26, United States Code, Section 7206(2).						
11	The Grand Jury Further Charges:						
12	<u>COUNTS 68 - 77</u>						
13				MAIL F	RAUD		
14	410.	Paragraphs 1	l - 26, 28 -	· 376, and 3	79 - 401 and ar	e re-alleged ar	nd incorporated as
15	if set forth f		•	•		· · · · · · · · · · · · · · · · · · ·	vo.poranoa us

- if set forth fully herein.
- On or about the dates indicated, in the Western District of Washington and 411. elsewhere,

KEITH E. ANDERSON, WAYNE ANDERSON, KAROLYN GROSNICKLE, RICHARD GROSNICKLE, RICHARD MARKS, JAMES MORAN, and **PAMELA MORAN**

devised a scheme and artifice to defraud, through the use of the U.S. Mails and commercial carriers, in which they solicited AAA members to invest in a joint venture called "Tax Magic"

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which required: the formation and purchase of various business entities; the payment of substantial fees; and the execution of a promissory note, the proceeds of which the AAA members were told would be invested in "Tax Magic." As the defendants then and there well knew and believed, "Tax Magic" would not, and could not, return the profits promised, and the purported loans, for which the AAA members paid substantial "loan fees," were completely fictitious.

- 412. As part of the scheme and artifice to defraud Tax Magic investors were instructed to send, by U.S. Mail or commercial carrier, a cashier's check made payable to La Maquina Blanca, or some other AAA controlled entity, to the AAA administrative center in Hoodsport, Washington.
- 413. As part of the scheme and artifice to defraud, the Tax Magic fees were not paid over to the purported lender "La Maquina Blanca," but instead were collected by the defendants at the AAA administrative center in Hoodsport, Washington, deposited into various domestic accounts, and then electronically transferred to accounts in Costa Rica for the benefit of the defendants.
- 414. On or about the dates indicated, in execution of the scheme and artifice to defraud, the defendants caused to be placed in a post office, or authorized depository for mail matter, the following financial instruments, to be sent and delivered by the Postal Service, or commercial carrier, in interstate commerce:

COUNT	Date	Amount of Financial Instrument	Origin	Destination
68	8/10/98	\$23,000	Galt, California	Hoodsport, Washington
69	9/23/98	\$75,000	Galt, California	Hoodsport, Washington
70	11/30/98	\$32,000	Roswell, New Mexico	Hoodsport, Washington
71	9/22/98	\$31,000	Indianapolis, Indiana	Hoodsport, Washington

1 2	72	10/23/98	\$68,000	Poulsbo, Washington	Hoodsport, Washington	
3	73	7/22/98	\$23,000	Coral Springs, Florida	Hoodsport, Washington	
4 5	74	9/18/98	\$50,000	Coral Springs, Florida	Hoodsport, Washington	
6	75	1/20/99	\$47,500	Seattle, Washington	Hoodsport, Washington	
7	76	3/16/99	\$37,500	Lemont, Illinois	Hoodsport, Washington	
8 9	77	11/23/99	\$17,500	Hacienda Heights, California	Hoodsport, Washington	
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11	All in violation of Title 18, United States Code, Sections 1341 and 2.					
12	The Grand Jury Further Charges:					
13	<u>COUNTS 78 - 86</u>					
14	WIRE FRAUD					
15	415. Paragraphs 1 - 26, 28 - 377, 379- 401, and 412 - 414 are re-alleged and					
16	incorporated as if set forth fully herein.					
17	416. On or about the dates indicated, in the Western District of Washington and					
18	elsewhere,					
19]	KEITH E. ANDE	RSON,		
20	WAYNE ANDERSON,					
21		KA	AROLYN GROSI	NICKLE,		
22	RICHARD GROSNICKLE,					
23	RICHARD MARKS,					
24	JAMES MORAN, and					
25	PAMELA MORAN					
26	devised a scheme and artifice to defraud, through the use of electronic funds transfer in interstate					
27	commerce, in which they solicited AAA members to invest in a joint venture called "Tax Magic"					
- 11					-	

which required: the formation and purchase of various business entities; the payment of substantial fees; and the execution of a promissory note, the proceeds of which the AAA members were told would be invested in "Tax Magic." As the defendants then and there well knew and believed, "Tax Magic" would not, and could not, return the profits promised, and the purported loans, for which the AAA members paid substantial fees, were completely fictitious.

- 417. As part of the scheme and artifice to defraud Tax Magic investors' were required to pay substantial "loan origination fees," and other fees, they told were required to process an "investment loan" from a lender named "La Maquina Blanca."
- 418. As part of the scheme and artifice to defraud Tax Magic fees were collected by the defendants at the AAA administrative center in Hoodsport, Washington, deposited into various domestic accounts, and then electronically transferred to accounts in Costa Rica for the benefit of the defendants.
- 419. As part of the scheme and artifice to defraud Tax Magic investors, the defendants maintained the following Costa Rican S.A. accounts to which their share of investor fees were credited:

JAMES AND PAMELA MORAN	Eleazar Investments
RICHARD AND KAROLYN GROSNICKLE	Elzaphan
RICHARD MARKS	ABBA Management
WAYNE ANDERSON	IG Silver, Silversave

420. On or about the dates indicated, in execution of the scheme and artifice to defraud, the defendants electronically transferred, or caused to be electronically transferred, the following amounts from the domestic financial accounts indicated to accounts at the listed financial institutions within the Republic of Costa Rica.

COUNT	Date	Amount	Origin	Destination
78	12/8/98	\$160,000	Pinal Federal Credit Union, Arizona	Banco Del Pacifico, SA Costa Rica

2	79	12/17/97	\$165,000	Pinal Federal Credit Union, Arizona	Banco Elca, SA Costa Rica
3 4	80	1/28/00	\$350,000	Pinal Federal Credit Union, Arizona	Banco Del Pacifico, SA Costa Rica
5 6	81	8/21/00	\$150,000	Quimper Community Credit Union, Washington	Banco Del Pacifico, SA Costa Rica
7 8 9	82	10/4/99	\$275,000	Quimper Community Credit Union, Washington	Banco Del Pacifico, SA Costa Rica
10 11	83	1/18/00	\$210,000	Quimper Community Credit Union, Washington	Banco Del Pacifico, SA Costa Rica
12 13 14	84	10/25/99	\$125,000	Quimper Community Credit Union, Washington	Banco Del Pacifico, SA Costa Rica
15	85	5/4/00	\$100,000	Quimper Community Credit Union, Washington	Banco Del Pacifico, SA Costa Rica
17	86	2/14/00	\$125,000	Quimper Community Credit Union, Washington	Banco Del Pacifico, SA Costa Rica
19 20	All in viol	ation of Title 19	United States Code	Sections 1343 and 2.	
21	1 MI III 4101	according the 10,	COUNT 87	sections 1343 and 2.	
22		C	RIMINAL FORFE	ITURE	
14				· · · · · · · · · · · · · · · · · · ·	

- Paragraphs 1 26, 28 376, 379- 401, 412 414, and 417 420 are re-alleged and 421. incorporated as if set forth fully herein.
- Between the dates January 1, 1996 through and including December 31, 2002, in 422. the Western District of Washington and elsewhere, the defendants, JAMES and PAMELA MORAN, did knowingly and willfully commit violations of Title 18, United States Code,

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Sections 1341 and 2, and Sections 1343 and 2, as alleged in Counts 68 through 86 of this indictment, which are incorporated by reference herein.

- 423. Violations of Title 18, United States Code, Sections 1341 and 1343 constitute "specified unlawful activities" as defined in Title 18, United States Code, Section 1956(c)(7).
- 424. Pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 21, United States Code, Section 2461(C), upon conviction, the defendants, JAMES MORAN and PAMELA MORAN, shall forfeit to the United States all right, title, and interest in any property constituting, or derived from, proceeds obtained directly, or indirectly, as a result of the said violations, including the following:
 - a. all personal property;
 - b. all cash, commissions, and fees obtained as a result of those violations; and
 - c. all real property together with buildings, appurtenances, improvements, fixtures, attachments and easements.
- 425. The United States intends to forfeit property of the defendants, JAMES MORAN and PAMELA MORAN, including, but not limited to, the following:
- a. a sum of money equal to \$850,863 in United States currency, representing the amount of proceeds obtained as a result of the offenses described above;
- b. the residence located at 13780 Larkspur Drive, Montrose, Colorado together with its buildings, appurtenances, improvements, fixtures, attachments and easements for which the defendants are jointly and severally liable; and
 - a 2000 Jeep Grand Cherokee, Vehicle Identification Number
 1J4GW58N2YC18686848.
- 426. If any of the property described as being subject to forfeiture, as a result of any act or omission of the defendants, JAMES MORAN and PAMELA MORAN, cannot be located upon the exercise of due diligence, has been transferred to, sold to, or deposited with a third party, has been placed beyond the jurisdiction of the Court, has been substantially diminished in value, or has been commingled with other property that cannot be subdivided without difficulty,

1	it is the intent of the United States to seek forfeiture or any other property of the defendants,
2	JAMES MORAN and PAMELA MORAN, up to the value of the property described above, as
3	being subject to forfeiture pursuant to Title 18, United States Code, Sections 1341 and 2 and
4	Sections 1343 and 2 (as provided for by Title 18, United States Code, Section and 981(a)(1)(C)
5	and Title 28, United States Code, Section 2461(C)).
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7	All in violation of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United
8	States Code, Section 2461(c).
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8	I MI IR HO
9	C. JOHNAKAY
10	COL JOHN McKAY UNITED STATES ATTORNEY
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12	
13	Jessey C Bullion
14	HEVEREY C KILLIVAN
15	Chief, Criminal Division United States Attorney's Office Western District of Washington
16	Western District of Washington
17	1 01
18	Pristatonarne
19	KRISTA TONGRING Trial Attorney
20	Department of Justice Tax Division
21	Tax Division
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A TRUE BILL.

Dated: Vecimies 10,2003

Mehlle Hurs
FOREPERSON